GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2673
ANSWERED ON:08.08.2003
LOANS TO SSI
PARSURAM MAJHI

Will the Minister of FINANCE be pleased to state:

(a) the total amount of loan sanctioned by State Bank of Hyderabad for the establishmentof small scale units in various States during the last three years; and

(b) the norms prescribed for lending to small scale units?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE AND COMPANY AFFAIRS (SHRI ANANDRAO VITHOBA ADSUL):

(a) The total amount of loans sanctioned by State Bank of Hyderabad (SBH) for theestablishment of Small Scale Units in various states during the last three years is as under:

(Rs.in Crores)

Year	Amount of Loan
2001	852.98
2002	951.54
2003	982.70

(b) The norms prescribed by Reserve Bank of India (RBI) for Sending to small-scale units are as under:

(1) Banks to ensure that out of their total funds lent to SSI Sector, at least 40%should be made available to the units with investment in plant and machinery upto Rs. 5 lakh and 20% should be made available to units with investment in plant and machinery between Rs. 5 lakhs and Rs. 25 lakhs. Thus 60% of the funds earmarked for SSI Sector should go to small units in tiny sector.

(2) Increase in the borrowal limit for collateral free loan to tiny sector from Rs.1 lakhto Rs. 5 lakh. In order to further improve the flow of credit to SSIs,RBIhas announced that Banks may on the basis of good track record and the financial position of the units increase the limit of dispensation of collateral requirement for loans from the existing Rs. 5 lakhs to Rs.15 lakhs.

(3) Raising the borrowal limit to Rs 5 crores for computation of working capital on the basis of minimum 20% of the projected annual turn over.

(4) Raising the limit of the projects to Rs. 50 lakhs for providing assistance under the National Equity Fund Scheme.

(5) Earmarking of 30% of the Investment under NEF Scheme for the tiny Sector.

(6) As per the announcement made by the Finance Minister in the Union Budget 2003-04,IBA has already advised the Banks to adopt the interest rate band of 2 percent above and below its prime lending rate (PLR) for secured advances.

(7) Banks have been advised to accord SSI Units with a good track record the benefit of lower spreads over the PLR.

(8) Banks to fix self set target for the year on year growth in advances to SSI and alsoto consider budgeting their growth in advances to SSI Sector keeping in view the trends in growth of net bank credit less food credit.